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UNCLAS SECTION 01 OF 10 TEGUCIGALPA 000743

SIPDIS

SENSITIVE
SIPDIS

DOS FOR DEPUTY ASSISTANT SECRETARY KIRSTEN MADISON
STATE FOR WHA, WHA/CEN, WHA/PPC, PM, INL, AND EB

E.O. 12958: N/A

TAGS: [OVIP](#) [PREL](#) [PGOV](#) [ECON](#) [ECIN](#) [MOPS](#) [SNAR](#) [PTER](#) [KJUS](#)

HO

SUBJECT: HONDURAS SCENESETTER FOR DAS WHA MADISON, VISIT TO
HONDURAS FROM APRIL 26-28

11. (U) Summary: New Honduran President, Jose Manuel "Mel" Zelaya Rosales, will face a difficult task leading one of the poorest countries in Latin America. On November 27, 2005, there were national elections for a new President, the unicameral Congress, and all 298 municipalities; a new (and overwhelmingly freshman) Congress was inaugurated on January 25, followed by the Presidential inauguration on January 27. Bilateral relations between the U.S. and Honduras are excellent. Honduras was the first country in the Western Hemisphere to sign and ratify an ICC Article 98 Agreement with the United States. Honduras' support for the Global War on Terrorism is steadfast and the Government of Honduras (GOH) was among the group of nations that sent troops to Iraq in support of Operation Iraqi Freedom (OIF), although these troops have since returned. Honduras was the first country in the region to be certified for the Container Security Initiative. Honduras also voted for the U.S.-drafted UN Commission on Human Rights (UNCHR) resolution on Cuba, which passed in April 2005.

12. (SBU) Honduras faces many challenges, including corruption, unemployment, high levels of violent crime, a highly skewed distribution of income, and a weak judicial system. Despite these challenges, there were several positive economic developments in 2004 and 2005, including: continued fiscal restraint under an agreement with the IMF, reaching the Heavily Indebted Poor Countries (HIPC) completion point in late March 2005, the negotiation of up to USD 2.8 billion of debt forgiveness from Paris Club and G-8 creditors, and the signing, ratification, and initial implementation of the U.S.-Central American Free Trade Agreement (CAFTA) with the United States. In June 2005, the Millennium Challenge Corporation (MCC) approved USD 215 million in funding over five years for a Honduran-drafted proposal focusing on highway infrastructure and integrated rural development. Honduras was one of the first countries in the world to sign an MCC Compact, and first disbursement took place in March 2006. Despite historically high energy prices in 2005, Honduras also maintained single-digit inflation rates and an estimated 4.5 percent growth in GDP in

Key Strategic Themes in Bilateral Relationship

¶3. (SBU) The key strategic themes in our bilateral diplomatic efforts in Honduras are: the rule of law (including democratic institutions), regional security (including transnational crime), economic development to reduce poverty (through trade and investment, and investment in human resources), and assistance to American citizens and businesses. Overarching these goals is an emphasis on good governance and attacking corruption, a focus that Zelaya says he shares, as fraud/waste/abuse and the ineffective administration of justice hampers progress in all these areas. The USG goals coincide with Zelaya's emphasis on public security/rule of law, economic development, and natural resources/environment (including the prevention of natural disasters).

What does a Zelaya Administration Mean for the USG?

¶4. (SBU) While Zelaya is a friend of the USG, his personality, administration, and policy decisions are making working with him a challenge. The Zelaya administration provides many opportunities for forward progress and will not likely result in any changes that would have a significant negative impact on U.S. interests. One thing is certain: his victory has meant a complete upheaval of the GOH with Liberal Party political appointees replacing National Party political appointees at senior, mid-level, and even lower level

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positions. Zelaya is specifically interested in "Citizen Power." Campaign rhetoric emphasized achieving a smaller central government with more power at the local level, but early indications favor increased, rather than decreased, centralization. Zelaya is outspoken in favor of government transparency, but several recent non-transparent decisions have raised concerns about the depth of understanding of and dedication to transparency by his government.

¶5. (SBU) Zelaya's long term international strategy is based on the theme of economic and political integration with the surrounding countries. Zelaya sees the integration of Central America as the only viable means Honduras has to meet the increasing demands of globalization. The unification of Central America is not a new idea, dating back to Honduras' independence from Spain. However, it has resurfaced as an issue of increasing importance with CAFTA. Zelaya has made clear that integration is an issue of prominence to him, suggesting not only economic, but also political cooperation in other areas. Short of integration and increased cooperation with the countries directly surrounding Honduras, Zelaya has specific intentions to develop and strengthen relationships with countries both in the Western Hemisphere and overseas seen by Zelaya as important to Honduras' national interests.

¶6. (SBU) While Zelaya has not declared what specific public security measures he will set in place, he has made clear that he holds an entirely different approach to the gang problem than did the Maduro Administration before him. Instead of focusing on increasing punishments and penalties for crimes, the Liberal Party's Government Plan provides three areas where the administration will focus their efforts: prevention, enforcement, and rehabilitation. Anecdotal reports indicate that violent criminal elements have taken advantage of this perceived "softer" approach by increasing the tempo and severity of criminal activities.

Election

¶7. (U) Honduras' general elections were held November 27, 2005, and were judged to be generally democratic, peaceful, and fair. USAID and other international donors provided approximately \$5.5 million to support the primary elections, and about \$3.4 million for the general elections.

¶8. (U) Honduras has two main parties, the Liberal Party and the National Party, and three minority parties, the Christian Democrat (CD), Innovation and National Unity (PINU), and Democratic Unification (UD). President of the Congress Porfirio "Pepe" Lobo was the National Party presidential candidate, and agro-businessman and former Congressman Zelaya ran on the Liberal Party ticket. Zelaya won the election with 49.9 percent of the vote. Lobo received 46.17 percent, UD received 1.51 percent, CD received 1.04 percent, and PINU received 1.02 percent of the votes. While exit polls, a Supreme Electoral Tribunal quick count, and an OAS Quick Count immediately projected that Zelaya had won, Lobo did not officially concede the election until December 7, 2005, choosing to wait until the official vote count had been tabulated.

¶9. (U) In the new Congress, the Liberals have 62 of the 128 seats, the Nationals 55 seats, UD 5 seats, CD 4 seats, and PINU 2 seats. The new President of Congress is Liberal Party Congressman Roberto Micheletti.

¶10. (U) Of the 298 municipalities in Honduras, 165 mayoral seats went to the Liberal Party, 130 to the National Party, two to DC, and one to PINU. Within these municipalities, at least 20 major cities were won by the Liberal Party.

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Iraq, Haiti, and Other Key Foreign Policy Goals

¶11. (SBU) In recent years, the GOH has been very supportive of U.S. foreign policy goals, including the reconstruction of Iraq. In support of OIF, the GOH deployed 370 troops to the vicinity of An Najaf as part of the Spanish Brigade operating under the Polish Division. Secretary Powell, CJCS GEN Myers, and Secretary Rumsfeld all visited Honduras in 2003 to thank the GOH for its support of OIF. As in most of the region, however, the Honduran general public overwhelmingly opposed the Honduran deployment and in late April 2004, Honduras withdrew its troops. The GOH stated this decision was based on a change in the rules of engagement following the withdrawal of Spanish troops from Iraq, in which the U.S. reportedly requested that Honduras consider expanding its troops' mandate in Iraq to participate in offensive combat operations. The GOH believed that the National Congress would not have authorized such a change in the rules of engagement. The GOH committed itself to deploying some troops to Haiti in support of the UN peacekeeping operations there, possibly via the Conference on Central American Armed Forces (CFAC), but has yet to do so. Honduras is very supportive of the United States at the UN, sharing our views on resolutions covering such key issues as human rights, human cloning, and the Middle East. Honduras introduced a UN Commission on Human Rights (UNCHR) resolution on Cuba, which passed in April 2004, and voted for the U.S.-drafted UNCHR resolution on Cuba, which passed in April 2005.

Bilateral Political/Military Issues

¶12. (SBU) Honduras was the first country in the Western Hemisphere to sign and ratify an ICC Article 98 Agreement with the United States. Honduras has a civilian Minister of Defense and a Chief of the Joint Staff who heads the Honduran

Armed Forces (HOAF). MOD Mejia and CHOD Vasquez Velasquez have a continuously good working relationship, especially since Mejia, during his tenure as President of the Supreme Electoral Tribunal prior to the MOD position, built a strong and stable working relationship with the military, one of the few nonpartisan institutions that effectively worked in the contested election. In January of 1999, the constitution was amended to abolish the position of military commander in chief of HOAF, thus codifying civilian authority over the military. Civilian control over the HOAF is complete and civil/military relations are good. This transition has resulted in greater transparency and fiscal accountability. The HOAF has a new focus on transnational threats, including counterterrorism, arms and drug trafficking, and combating international criminal organizations. With the Zelaya Administration, the military is partaking in more non-traditional roles such as protection of natural resources, specifically prevention of illegal logging. The HOAF is interested in establishing an ability to increase further its participation in international peacekeeping operations and the HOAF has been participating in numerous joint exercises with U.S. forces. In April 2006, GOH signed a bilateral agreement, Article 505, regarding global peacekeeping operations initiative. Honduras has taken the lead in a number of regional initiatives to enhance cooperative security against emerging transnational threats. Within the past year, Honduras has hosted a "round-up" of regional maritime forces to conduct combined training and operations; the Honduran Air Force hosted a Central American air security conference that resulted in agreements for improving cross-border/regional communications and coordination in addressing illegal flights; during a recent Central American summit, the presidents unanimously agreed to the Honduran call for the establishment of a regional rapid

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reaction force to deal with the rise of narco-terrorism in Central America. Honduras hosted and participated in two combined U.S. Joint Chiefs of Staff level special operation exercises in 2005: Gallant Journey and Bold Warrior. Honduras also stands ready to participate in a regional arms "rationalization" process, but has said it will not negotiate on a bilateral basis.

Counterterrorism Cooperation

¶13. (SBU) The GOH has responded quickly to all USG requests regarding terrorist threats and financing, although to date, no terrorist assets have been found in Honduran financial institutions. Honduras is a party to all UN and OAS counterterrorism conventions and protocols and has also been aggressive in upgrading port security.

Counternarcotics Issues

¶14. (SBU) GOH has cooperated with USG counternarcotics efforts by facilitating USG use of La Ceiba by U.S. Customs CHET aircraft to stage regional counternarcotics detection and monitoring aircraft. However, the CHET aircraft does not address maritime transit zone trafficking that most threatens our interests. Expanding the site to include staging maritime detection and monitoring aircraft should be our goal.

¶15. (SBU) Honduras' geography places it squarely in the middle of a major illegal drug transshipment zone. Cocaine, heroin, and marijuana transit Honduras, its airspace, and its maritime waters. Due to increased efforts by Honduran, U.S., and regional counternarcotics forces, this trade has begun to face significant disruptions. In 2003, overall seizures in Honduras of approximately 6,000 kilos were higher than the past five years combined, and in 2004, Honduras seized approximately 3,869 kilos of cocaine. The total slipped in

2005 to 261 kilos of cocaine. Additionally, there were five Honduran-flagged vessels seized by the U.S. Coast Guard in international waters carrying approximately 11,250 kilos of cocaine and 53 kilos of heroin, as well as one Honduran-flagged vessel seized by the Nicaraguan Navy carrying 871 kilos of cocaine. Close USG-GOH cooperation, thanks to a Bilateral Maritime Agreement, has allowed these narcotraffickers and the drugs to be brought to the U.S. for prosecution. During the recent April 2006 regional Operation All Inclusive, the Honduran Navy under the direction and support of DEA strategically placed maritime assets at the 15th parallel resulting in seizure of 3,000 kilos of cocaine and U.S. prosecution of the principal participants. The GOH continues to cooperate in initiating electronic telephone intercepts with the help of DEA and NAS which has thus far resulted in dismantling a drug transportation organization operating throughout Central America and Mexico. This investigation led to the arrest of six individuals and the seizure of 2 million dollars in assets.

Anti-corruption

¶16. (SBU) Honduras remains one of the most corrupt countries in the Western Hemisphere and was recently ranked 107 (tied with Nicaragua) out of 158 countries surveyed by Transparency International (an NGO that tracks international corruption issues,) with 158 being the most corrupt. Only Bolivia, Ecuador, Guatemala, Guayana, Haiti, Paraguay, and Venezuela scored lower in the Western Hemisphere. U.S. policy against corruption has struck a nerve here, especially any mention of our 212f visa revocation authority. Despite the mid-2005 arrest of the then-director of the immigration service, the

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problem within immigration and the control over Honduran identity documents is still a major concern, and the GOH has not taken proper action to address the pervasive corruption. The Maduro Administration commissioned a study of problems in the service and proposals to solve those problems, a study to which the Embassy contributed. Neither the Maduro nor the Zelaya Administration had taken any substantive action to resolve immigration problems beyond lip service recognition. Procedural problems at the Public Ministry (Attorney General and all prosecutors) and lack of resources contribute to the GOH's limited ability to take significant action against high-level corrupt individuals. Given the scope of the problem and the apparent inability of the GOH to prosecute those with influence and money, most public discussion about the country's pervasive corruption is perceived as, essentially, background noise by a cynical population.

Port Security

¶17. (U) Puerto Cortes is the 37th largest trading port with the U.S. by volume, according to U.S. Customs and Border Patrol (CBP). Approximately 41 percent of all Honduran exports are destined for the U.S. (75 percent of which transit Puerto Cortes), and significant import-for-re-export containerized traffic also occurs, largely to feed the booming Honduran maquila sector. The GOH has taken a very pro-active stance in addressing port security issues, and met the International Maritime Organization's July 1, 2004, deadline to certify its ports as meeting the new, more stringent port security standards under the International Ship and Port Facility Security Code (ISPS) and Maritime Transportation Security Act of 2002. Puerto Cortes is the largest port on the Caribbean side of the Central American isthmus and currently provides container service to the U.S. market, not just for Honduran exports, but also for goods from Guatemala, El Salvador, and Nicaragua.

¶18. (U) The GOH hosted a successful visit (the first in the

Western Hemisphere) of a U.S. Coast Guard (USCG) port security program team in June 2004. The team came to assess Honduras' implementation of the ISPS. It reviewed security practices at five national ports, met with the national commission on port security, and discussed Honduran port security regulations with the newly created (per the ISPS) national port security authority. The USCG team reported that it had identified several very innovative and efficient security practices that it would carry back to the port facilities in the U.S. as "best security practices".

¶19. (U) Puerto Cortes' volume of trade with the U.S. earned it a place as the 45th port in the world to become part of the DHS Container Security Initiative (CSI). It was GOH unilateral efforts to improve the port - notably including completing a successful U.S. Coast Guard review in June 2004 and the December 2005 GOH decision to install gamma-ray scanning devices at the port - that convinced DHS/CBP to move forward with CSI at Cortes. CSI offices were opened in early March 2006 and formally inaugurated on March 25 by President Zelaya and the Ambassador. The Honduran business community is optimistic that the US-certification of containers will decrease shipping times by 24 hours for Honduran exports destined for the United States.

Public Security/Human Rights

¶20. (SBU) Violent crime, particularly homicides and various gang-related crimes, continues at a high rate. Public support for forceful government actions remains strong, although the military's enthusiasm for joint police/military patrols has begun to erode, claiming the joint operations

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have negatively affected military readiness. The U.S. has assisted the establishment of an anti-kidnapping unit which tremendously and effectively reduced the kidnapping rate. The U.S. is also helping to increase intake/training of police recruits, boost its counternarcotics efforts, assist the Frontier Police, and improve prosecutorial and forensic capacities. At the request of President Zelaya, DEA has prepared and submitted a plan of action for the reorganization of the Honduran police. The country's geographic position makes it an obvious strategic transit point for narcotics trafficking, alien smuggling operations, trafficking in persons, and other organized crime activities.

¶21. (SBU) Extrajudicial killings, especially of children/young adults since 1998, have been a source of serious concern and only recently has the GOH begun to take steps to investigate the hundreds of unsolved cases. Human rights groups regularly accuse former security force officials and the business community of colluding to organize "death squads" to commit these summary and arbitrary executions. There have been multiple large scale deaths in the national penitentiaries in the last several years. While many have been due to fires or other inmates, the GOH has prosecuted some of its prison personnel and has been found negligent in its responses and preventative measures.

¶22. (SBU) While Honduran labor law is deficient in some areas with respect to International Labor Organization core conventions, the main issue for the protection of labor rights, including freedom of association and collective bargaining, is the effective enforcement of existing laws. There are serious problems with child labor in several industries, particularly melon, coffee, and sugar cane (but not in the maquila sector), as well as in the informal economy and trafficking in persons of women/children for commercial sexual exploitation in the U.S., Central America, and Mexico. USAID and Peace Corps have both been involved in HIV/AIDS prevention, as Honduras has the highest rate of HIV/AIDS in Central America.

¶23. (SBU) Approximately 570 U.S. service men and women, 14 civilian DOD employees, and 63 Locally Employed Staff (Hondurans) are currently stationed at Honduras' Soto Cano Air Base under the command of the Combatant Commander, U.S. Southern Command, as Joint Task Force Bravo (JTF-B). JTF-B has responsibility for interagency operations and supporting contingency operations such as disaster relief, search and rescue operations, joint and combined training exercises, and counternarcotics missions in the assigned geographical area. In 1954, the USG and GOH signed a Bilateral Military Assistance Agreement that set forth their intention to work closely together to foster peace and security in the Western Hemisphere. The planned relocation of the Coronet Oak C-130 program from Puerto Rico to Soto Cano would increase the U.S. footprint.

Border Relations

¶24. (SBU) Honduras has land border disputes with Nicaragua and some of its seven maritime neighbors. Honduras and El Salvador has had long standing border disputes over the shared area of control in the Gulf of Fonseca and the International Court of Justice (ICJ) ruling establishing the land border between Honduras and El Salvador. The Organization of American States (as a neutral third party) has provided both nations technical assistance to help them implement the non-disputed elements of the ICJ's ruling. Just recently, on April 18, 2006, presidents of Honduras and

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El Salvador presided over the long-awaited conclusion of the demarcation of the Honduran-Salvadoran border. This new bilateral border agreement between the two countries has formally ended a boundary dispute that dated to a conflict between the two Central American nations in 1969.

¶25. (SBU) On the Caribbean coast, Honduras and Nicaragua have a long-standing maritime border dispute over the 15th parallel. In the past, the dispute has threatened to derail trilateral counternarcotics operations. In 1999, Honduras provoked Nicaraguan retaliation when it signed a maritime treaty with Colombia recognizing the 15th parallel as its maritime border. Nicaragua subsequently filed an ICJ case over the maritime border and, more importantly, in 1999 slapped a punitive 35 percent tariff on Honduran goods. This tariff remained in place until April 2003 despite a Central American Court of Justice ruling that it was illegal. Only after Honduras responded with a retaliatory tariff, threatening Nicaraguan exports, did Managua rescind the tax. Nicaraguan naval forces recently seized eight Honduran fishing boats in disputed waters. Tensions flared recently over possible oil exploration in the disputed area. An ICJ decision on the case is expected sometime in 2006. Cuba suspended negotiations with Honduras over a maritime boundary agreement near completion due to the GOH's introduction of the UNCHR resolution on Cuba in 2004. The agreement has yet to be finalized.

Economic Overview

¶26. (SBU) Honduras, with a per capita income of USD 950, is the third poorest country in the Western Hemisphere, ahead of only Nicaragua and Haiti. The economy grew at a rate of 4.5 percent in 2004, but over the past several decades has grown at an average rate only slightly higher than population growth. Social indicators are improving, but two-thirds of all Hondurans live in poverty, and average education levels are very low. In the past few years, low world coffee prices

have hit rural areas particularly hard (although they are now rising somewhat), forcing major cutbacks in planting, fertilizing, harvesting, and investment. While there has been some agricultural diversification (melons, cultivated shrimp, palm oil) there continues to be a large subsistence farmer population with few economic opportunities (other than illegal immigration to the U.S.). Remittances from Hondurans living abroad, mostly in the United States, grew by 19 percent to USD 1.14 billion in 2004, and, at an estimated USD 1.4 billion in 2005, which is the equivalent of nearly 15 percent of Honduras' foreign exchange, will soon pass the maquila sector as the country's largest source of foreign exchange.

¶27. (SBU) The U.S. is Honduras' largest trading partner, with two-way trade in goods of \$6.99 billion dollars in 2005. The roughly 150 U.S. companies that do business in Honduras constitute the largest block of foreign direct investors. One of the major magnets for foreign investment is the apparel assembly (maquila) sector, which grew dramatically in the 1990s, reaching then-peak employment in 2000 of about 120,000 people. Activity slowed due to increased competition from Asia and also in response to the 2001-2002 U.S. economic slowdown. The sector has been rebounding since 2003 and has now exceeded pre-downturn levels, with employment now at 130,000 jobs.

The Importance of CAFTA

¶28. (SBU) On March 3, 2005, the Honduran Congress approved the U.S.-Central American Free Trade Agreement (CAFTA) by an overwhelming margin. The agreement was negotiated in 2003

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and 2004 among the United States, Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica, and the Dominican Republic. All countries except for Costa Rica have now ratified the agreement. The agreement was ratified by the United States on July 27, 2005, and entered into force on April 1, 2006. In Honduras, CAFTA is strongly supported by most of the private sector, especially the textile and apparel industry. While the agreement was approved by voice-vote only and an exact count is therefore not available, witnesses reported that, of the 128-member Congress, there were more than a hundred votes in favor, and only four against. CAFTA therefore was supported by not only the outgoing then-ruling National Party, but also by the incoming then-opposition Liberal Party and two of the smaller parties in Congress (PINU and CD) as well. Only one small leftist political party (UD) voted against the agreement. The agreement has also been opposed by some NGOs, labor unions, and peasant (campesino) groups, who are concerned that small-scale Honduran farmers will be unable to compete with subsidized U.S. agricultural products.

¶29. (SBU) Zelaya's team hopes that CAFTA will lead to faster economic growth and serve as a catalyst for regional economic cooperation and integration. The agreement is absolutely vital to the survival of the textile and apparel sector in Honduras now that worldwide quotas have been eliminated. It is estimated that in 2004 Honduras received at least USD 200 million in new foreign investment, most of it from the United States, as a result of the anticipated benefits of CAFTA. The agreement's agricultural chapter will liberalize agricultural trade gradually while protecting Honduran farmers from sudden disruptions caused by subsidized imports. The agreement also will spur modernization in government procurement and services and will help lock in the GOH's structural reforms in areas such as telecommunications.

Millennium Challenge Account Program

130. (SBU) In 2004, Honduras was chosen as one of sixteen countries eligible (out of 75 considered) to apply for assistance under the \$2.2 billion Millennium Challenge Account (MCA). Countries were selected based upon past and current policy performance in the areas of governing justly, investing in their own people, and promoting economic freedom. MCC's mission is to reduce poverty via economic growth and it puts the responsibility for program design and implementation on the country. MCC's assesses the quality of the proposal and its fiduciary risk control mechanisms before signing a Compact. During implementation MCC maintains approvals of quarterly disbursements and key implementation decisions to ensure that the Program is implemented in manner consistent with the Compact. In June 2005, the Millennium Challenge Corporation (MCC) approved \$215 million in funding over five years for a Transportation Project and Rural Development Project. The Compact Entered into Force on September 29, 2005 and the first disbursement of \$1.6 was made in February 2006. MCA-Honduras is the government entity responsible for implementing the Program. MCA-Honduras has hired 7 staff members and is in the process of recruiting two more staff members. Three major procurements are currently in process: Farmer Training and Development, Procurement Supervisor, and the Transportation Project Manager. The contract for the Farmer Training and Development is expected to be awarded in late summer and will be the first activity to show tangible results.

IMF Agreement and Debt Relief

131. (U) In 2005, Honduras reached Completion Point for the Heavily Indebted Poor Countries (HIPC) Initiative, allowing

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the GOH to approach the Paris Club (international group of bilateral and multilateral creditors) and the Group of Eight industrialized countries, seeking forgiveness or restructuring of an its external debt. In July 2005, Honduras announced it had received a combined total of \$2.8 billion in pledged debt relief from bilateral and multi-lateral donors, most of which had been completed by December 2005. The GOH estimates this will eliminate debt service payments of \$212 million per year. The GOH has committed to applying these funds to poverty alleviation, as laid out in the existing Poverty Reduction Strategy. Post is watchful for any signs that these funds could be used to pay for unsustainable growth in public sector teacher and doctor salaries (which the GOH has committed to reining in by 2007). Progress under the Poverty Reduction and Growth Facility signed with the International Monetary Fund (IMF) in February 2004 remains strong. The next semi-annual review of GOH compliance under that agreement will take place in May 2006, having been delayed pending GOH ratification of its new budget.

USAID Programs

132. (SBU) USAID's FY06 budget for Honduras is USD 44.9 million. The USAID Central America and Mexico Regional Strategy focuses bilateral and regional USAID investment on the three performance arenas of Ruling Justly, Economic Freedom, and Investing in People and is closely aligned with the goals of the MCC. USAID supports the Ruling Justly objective by increasing the responsiveness and accountability of public institutions, while also building on successful municipal development programs to create better models for governance, justice reforms, and transparency and participation. In the arena of Economic Freedom, there is a concerted focus on trade policy and preparations to ready Honduras' participation in the CAFTA and FTAA. USAID strives to bridge agricultural production in rural areas with relatively higher value processing and marketing enterprises

in urban centers. The integrated natural resource management program emphasizes sustainable land and water-use, biodiversity, and reduced disaster vulnerability. Also, to support the Investing in People objective, the health program aims toward improving reproductive health, family planning, child survival, prevention of HIV/AIDS and other infectious diseases, and household food security. Seeking a better-educated Honduran work force through expanded access at the pre-school, middle school, and upper secondary levels (grades 10-11) is done using alternative delivery systems and implementing the Centers for Excellence in Teacher Training Presidential Initiative. USAID is also assisting GOH efforts to develop quality education standards, testing, and evaluation.

133. (U) USAID's Integrated Food Security program addresses the multiple causes and effects of food shortages and nutritional deficiencies in some of the poorest communities in Honduras. It provides community-based maternal and child health care, improved agricultural productivity and marketing, construction of rural roads and water systems, improved natural resource management, and increased transparency and efficiency of municipal governments.

Consular Issues

134. (U) The GOH estimates more than 800,000 Hondurans live in the U.S., a fact that places immigration issues high on the bilateral agenda. (The population of Honduras is approximately seven million.) Combating alien smuggling and TIP are top priorities. Approximately 82,000 of these Hondurans currently enjoy Temporary Protected Status (TPS),

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which was granted to certain Hondurans who were in the United States illegally at the time of Hurricane Mitch in 1998. Another 250,000 are estimated to be in the United States illegally. In March 2006, the Department of Homeland Security extended TPS for these Hondurans until July 2007, a move that the GOH deeply appreciated. The GOH is also very interested in any possible U.S. Congressional action on immigration reform, particularly temporary work permit proposals. The GOH is currently working closely with the USG to expedite the issuance of travel documents to facilitate the deportations of Hondurans who have illegally entered the U.S. As part of this cooperation, the GOH has indicated a willingness to expand permission for Justice Prisoner and Alien Transport System (JPATS) deportation flights to land in San Pedro Sula in addition to Tegucigalpa, provided the USG provides funding for a Center for Returned Migrants.

135. (U) With approximately 15,000 American citizens residing in Honduras (including American citizens who also hold Honduran citizenship) and many thousands visiting Honduras annually for tourism, missionary work, and business, American Citizen Services are a key part of the Embassy's work. Since 1995, there have been 51 American Citizen victims of homicide; 16 of these have occurred in the last 18 months. There was not much progress on most of these cases until 2003, but there have now been 24 convictions in 15 cases, and ten cases have been closed. Better coordination among the investigative police, prosecutors, and the Embassy has revived investigations into several previously cold cases. Some progress has been made on extradition cases involving American citizens residing in Honduras who are wanted for felonies in the United States. In September 2005, the USG extradited a Honduran wanted for major financial fraud in Honduras. (The Honduran constitution bars the extradition of Honduran nationals.) Law enforcement cooperation with Honduras would be enhanced if Honduras were to sign on to the OAS Mutual Legal Assistance Convention.

Embassy Tegucigalpa

¶36. (SBU) Embassy Tegucigalpa is a medium-sized post, employing approximately 119 U.S. citizens and 344 Locally Employed Staff (mostly Hondurans) among 14 USG agencies. The Peace Corps program, with approximately 192 volunteers, is one of the world's largest, and the USAID mission has a FY06 budget of \$44.9 million. The Mission maintains a Consular Agent in Honduras' second largest city and industrial center, San Pedro Sula.
Ford